

PUBLIC DISCLOSURE

April 12, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

HOLYOKE CREDIT UNION

490 WESTFIELD ROAD
HOLYOKE , MA 01247

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **HOLYOKE CREDIT UNION** (the "Credit Union") prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"

The Credit Union's CRA rating is based on five lending performance criteria, which are evaluated within the credit union's "performance context." The "High Satisfactory" rating is based on; (1) an average net loan to deposit ratio of 78.6 percent, (2) a substantial majority of mortgage and consumer loans granted within the assessment area, (3) a more than reasonable lending distribution among borrowers of different income levels for both residential and consumer loans, (4) a good geographic distribution of residential loans and a reasonable distribution of consumer loans within the assessment area and (5) regular implementation of fair lending policies and procedures. There were no discriminatory lending practices noted. The Credit Union received no complaints related to its CRA performance for the time period under review.

PERFORMANCE CONTEXT

DESCRIPTION OF INSTITUTION

The Credit Union is a community based financial institution, resulting from the merger of the former Holyoke Municipal Employees Credit Union and Holyoke Credit Union in June 1997. Individuals eligible for membership include: any resident of Holyoke and its vicinity, health care and all government (city, state and federal) employees within Hampden and Hampshire Counties and their immediate families, all elected officials of Hampden County, and attorneys that regularly utilize Hampden County's Superior and District Courts.

The Credit Union opened its newly constructed main office in September 2000. This office provides expanded services, which include a drive-up teller window and Automatic Teller Machine (ATM), as well as a (deposit taking) walk-up ATM. The Credit Union's 24- hour ATMs have network access, including NYCE, CIRRUS, MasterCard and Visa. The Credit Union is a SUM Network member. These institutions do not levy ATM surcharges on their own or to other members' customers.

As of March 31, 2004, the Credit Union had total assets of \$65.2 million; total loans represented \$45.2 million (69.3%) of total assets. The table following details the institution's loan portfolio.

Loan Portfolio as of March 31, 2004		
Type of Loans	\$'s (000's)	% of Total Loans
Residential Real Estate		
a. 1-4 Family Mortgages	5,342	11.8%
b. Home Equity Lines/Loans	14,518	32.1%
Consumer Loans		
a. New Auto Loans	9,439	20.9%
b. Used Auto Loans	15,176	33.6%
c. Unsecured Loans	476	1.1%
d. All Other	228	0.5%
Total	45,179	100.0%

Source: Credit Union's Balance Sheet Report

As shown, residential loans (first mortgages and equity lines/loans) represented \$19.9 million (43.9%) of total loans, while new and used auto loans totaled \$24.6 million, and represented 54.5 percent of the total loan portfolio. Unsecured personal loans represented \$476 thousand (1.1%) of total loans, while all other consumer loans totaled \$228 thousand (0.5%) of all loans.

DESCRIPTION OF INSTITUTION (continued)

The Credit Union's two major credit products are its mortgage loan and car loan offerings. The Credit Union offers a variety of mortgage loan products. The Credit Union sells the majority of the mortgage loans it originates; however, it retains all servicing rights. (As of March 31, 2004, mortgage loans originated, sold, and serviced by the Credit Union totaled \$58.6 million.) The Credit Union is a Federal National Mortgage Association (FNMA/FannieMae) approved seller/servicer. The Credit Union is also a member of the Federal Home Loan Bank (FHLB). The institution's ability to meet community credit needs remains adequate, based on its financial condition, size and product offerings.

The Credit Union is also a participant lender in the Credit Union Direct Lending (CUDL) program. CUDL is an indirect lending program with many used (and new) car dealers participating, allowing members to obtain financing at the dealership. In addition, members can access the program through the Credit Union's website and use it to compare different car models and to request bids from the dealers.

The Division last conducted a CRA evaluation as of October 12, 1999, which resulted in an overall "Satisfactory" performance rating.

DESCRIPTION OF ASSESSMENT AREA

CRA requires a community credit union to define an assessment area within which the credit union will focus its lending efforts. The Division evaluates the institution's CRA performance based on this geographically defined assessment area. Generally, assessment area(s) are expected to consist of Metropolitan Statistical Areas (MSAs) or contiguous political subdivisions such as counties, cities and towns. The Credit Union's assessment area is in conformance with the CRA regulation, containing only whole geographies or census tracts.

The Credit Union defines its assessment area as all municipalities situated within Hampden and Hampshire Counties. The assessment area includes the following Hampden County municipalities: the cities of Springfield, Chicopee, Holyoke, Agawam, West Springfield, Westfield, and the towns of Southwick, Ludlow, Longmeadow, East Longmeadow, Wilbraham, Hampden, Monson and Palmer, Russell, Montgomery, Granville, Blandford, Chester and Tolland. All of these municipalities are situated within the Springfield, MA MSA. Furthermore, the assessment area includes the following Hampshire County municipalities: the City of Northampton, the towns of Amherst and Pelham, Hadley, Hatfield, South Hadley, Granby and Belchertown, Ware, Easthampton, Southampton, Westhampton, Williamsburg, Huntington, Chesterfield and Goshen, Cummington, Plainfield, Worthington, and Middlefield. All of these cities and towns are also situated within the MSA, except Worthington and Cummington, Plainfield, Middlefield and Pelham. The Springfield MSA median Family Household Income (FHI) was \$50,700 for 2002 and \$56,800 for 2003.

Beginning in 2003, all HMDA reporting lenders are to use geographic information based on the new 2000 U.S. Census data. Consequently, the following discussion incorporates both the 1990 and 2000 U.S. Census data for the institution's assessment area.

DESCRIPTION OF ASSESSMENT AREA (continued)

The census tract income levels are based on the median family income within the given tract. The CRA regulation defines income levels as; low-income (less than 50 percent of the area median income), moderate-income (50 to 79 percent of median family income), middle-income (80 to 119 percent of area median income), and upper-income (120 percent and greater of the area median income).

The table below compares the assessment area's 1990 census tract composition to the tracts/geographies based on the 2000 U.S. Census data.

Changes in Assessment Area Geographies						
Census Tract Levels	1990 Census Data		2000 Census Data		Changes in Tracts	
	#	%	#	%	#	%
Low	13	10.7	17	13.8	4	30.7
Moderate	14	11.6	20	16.3	6	42.8
Middle	64	52.9	52	42.3	(12)	(18.8)
Upper	24	19.8	33	26.8	9	37.5
NA	6	5.0	1	0.8	(5)	(83.3)
Totals	121	100.0	123	100.0	2	1.6

Based on the 1990 U.S. Census data, the 13 low-income tracts were located in Springfield (8), Holyoke (4) and Amherst (1). The 14 moderate-income geographies were situated in Springfield (8) and Chicopee (2); while Holyoke, West Springfield, Westfield and Amherst each contained 1 moderate-income tract. The 6 NA tracts were situated in Springfield (1 tract within the city's commercial center), Chicopee (1 tract comprising the Westover industrial parks and air base), Amherst (1 tract adjacent to Hampshire College); and lastly, Northampton's 3 NA tracts, housing the Leeds Veterans Hospital, the former Northampton State Hospital, and the Smith College campus. The NA tracts are institutional or commercial geographies on which demographic information is not available (NA).

Based on the 2000 U.S. Census, the assessment area gained a total of 2 census tracts. There are no longer any NA tracts, excepting the one tract located in Amherst, as mentioned above. Due to the merger of the former NA tracts into other (income designated) census tracts, Springfield and Chicopee, each lost one census tract, while Northampton lost 3 tracts. Currently, Springfield encompasses 13 of the 17 low-income geographies, while Holyoke retains 4 low-income tracts. As regard the moderate-income geographies, Springfield retains 8 (of the 20) moderate-income tracts, while Holyoke and Chicopee hold 3 and 4 moderate tracts, respectively. Each city gained 2 moderate-income tracts apiece, due to former middle income tracts being designated as moderate-income. Additionally, West Springfield, Westfield and Amherst each retain one moderate tract, while Ludlow and Ware each added a moderate-income geography. Overall, the low-income geographies increased by four, while moderate-income geographies increased by six.

The decline in the middle income geographies is largely attributed to the redesignation of middle income tracts to moderate income levels within Springfield (5 tracts), Holyoke (2) and Chicopee (2 tracts). In addition, middle income tracts situated in East Longmeadow (1), Southwick (1 tract), Amherst (3 tracts) and Northampton (1) are now designated as upper income geographies. Several municipalities added new upper income tracts; these include Westfield (1 tract), Agawam (1), East Longmeadow (1 tract) and Belchertown (1 new). Agawam also added one new middle income tract, gaining a total of two new census tracts. Granby, formerly an upper income geography, is currently designated as a middle income tract.

DESCRIPTION OF ASSESSMENT AREA (continued)

Overall, the assessment area's population remained stable, increasing by less than one percent; the population was 596,126 residents in 1990 and 600,996 residents in 2000. In 1990, the assessment area residents comprised 216,949 households, 69.1 percent were family households. Likewise in 2000, the population comprised 228,618 households of which 64.9 percent were families.

The table below compares the distribution of households and housing units based on the 1990 and 2000 census data:

Census Tract Housing Characteristics (Distribution by Percentage)								
Income Category	1990 Census				2000 Census			
	House-holds	Housing Units	Owner Occupied	Median Home Value	House-holds	Housing Units	Owner Occupied	Median Home Value
Low	8.0	8.2	1.6	\$87,708	9.3	9.8	2.7	\$72,809
Moderate	10.9	11.0	6.2	\$97,163	17.0	17.4	11.4	\$91,478
Middle	62.3	62.3	66.2	\$119,830	48.3	48.0	53.0	\$116,372
Upper	18.8	18.5	26.0	\$160,874	25.4	24.8	32.9	\$161,682
NA	0.0	0.0	0.0	\$0	0.0	0.0	0.0	\$0
Totals or Median	100.0	100.0	100.0	\$122,257	100.0	100.0	100.0	\$119,009

As the table demonstrates, the redistribution of census tracts significantly influenced the distribution of households and housing units within the assessment area. In 1990, the moderate tracts held 10.9 and 11.0 percent respectively, of total households and housing units; they held 6.2 percent of all owner-occupied housing units. Comparatively, in 2000 the moderate-income tracts contained 17.0 and 17.4 percent, respectively, of all households and housing units and 11.4 percent of all owner-occupied dwellings. Notably in 1990, the middle income tracts contained 62.3 percent of all households and housing units and in 2000 contained 48.3 and 48.0 percent of total households and housing units, respectively. Likewise, the percent of owner occupied units within the middle geographies declined from 66.2 percent to 53.0 percent of all owner-occupied dwellings.

Based on the 1990 Census, the 24 upper-income tracts contained 18.8 and 18.5 percent of all households and housing units, and 26.0 percent of owner-occupied dwellings. Based on 2000 data, the 33 upper income geographies contained 25.4 and 24.8 percent of all households and housing units, respectively, and 32.9 percent of all owner occupied dwellings. The above table also indicates that median home prices declined in all income categories of geographies, excepting the upper income tracts.

DESCRIPTION OF ASSESSMENT AREA (continued)

The table below compares the median home prices for the communities listed, based on Registry of Deeds' transactions. The prices shown are for single family home purchases for year ending December 2002 and 2003.

	2002	2003
SPRINGFIELD	91,900	105,000
CHICOPEE	115,950	130,000
HOLYOKE	112,059	139,900
SOUTH HADLEY	150,000	165,000
WESTFIELD	148,500	165,000

- Year-end 12 month median prices for single family dwelling per Warren Information Services

Overall, the above figures reflect an increase in home prices in the year 2003. In 2003, the median price in Springfield increased by \$13,100 or 14.3 percent over the prior year. South Hadley and Westfield experienced an average increase of \$15,000 (10.0%) and \$16,500 (11.1%) respectively, in the median home price. Holyoke had the largest increase with single family homes rising by \$27,841 (24.8%). Furthermore, all home sales within Holyoke, including condominiums, 2-, 3-, and 4-family dwellings, increased by \$21,937 (21.1%). The City of Springfield is the most active housing market with 1,482 and 1,696 home sales in years 2002 and 2003, respectively. Holyoke had 230 single-family home sales in 2002 and 239 sales in 2003. In addition, all sales within Holyoke totaled 466 and 499 in 2002 and 2003, respectively.

Mortgage activity within the assessment area is highly competitive, with 382 active mortgage lenders, ranging from regional banks/mortgage companies to small mortgage lenders. The active lenders in 2002 originated (or purchased) a total of 29,949 loans, totaling \$3.5 billion within the assessment area. The Home Mortgage Disclosure Act (HMDA) requires lenders to report all purchase mortgages, refinances and home improvement loans to their respective regulators. For the purpose of this evaluation, however, the Credit Union's mortgage lending activity will be compared to the HMDA-reporting credit unions active within its assessment area. There are thirty-five credit unions (excluding Holyoke Credit Union) that comprise the aggregate HMDA lenders group. These credit unions originated a total of 1,047 loans for \$92.1 million in the year 2002.

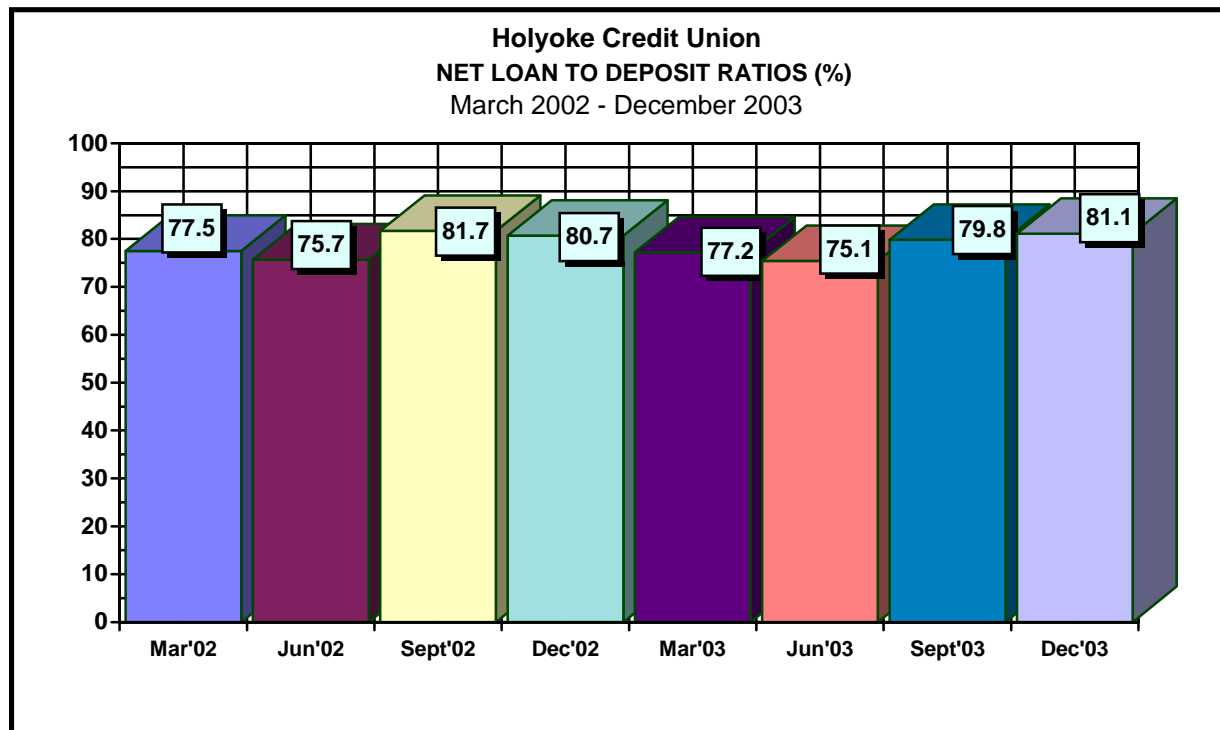
In concluding, the top ten credit unions and their market share, (including the Credit Union), are as follows: (1) Polish National Credit Union (20.6%); (2) Holyoke Credit Union (16.5%), (3) Western MA Telephone Workers (13.9%); (4) Aldenville Credit Union (7.2%); (5) Hamilton Sundstrand Federal Credit Union (6.9% market share); (6) Luso-American (6.0%); (7) Monsanto Employees (3.3%); (8) Springfield Mass. Municipal Employees Credit Union (2.5%) and (9) MassMutual Federal (2.5% market share) and Navy Federal Credit Union (2.2%). These ten combined held 81.5% market share of all mortgage loans reported by credit unions under the HMDA requirements.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

This criterion evaluates the level and trend of the institution's net loan-to-deposit ratio. The Credit Union's average net loan-to-deposit (NLTD) ratio is 78.6 percent for eight quarters, from March 31, 2002 through December 31, 2003. The Credit Union's performance is considered reasonable, given the institution's lending capacity and the credit needs of the assessment area.

The following graph illustrates the ratio's level and trend for the quarters reviewed.



The Credit Union's net loan to deposits (NLTD) ratio demonstrates a steady level and trend throughout the eight quarters reviewed. However, the graph indicates a decline in the NLTD ratio, occurring in the March and June quarters in both 2002 and 2003. Since this pattern is repetitive, the decline appears to be seasonal in nature, with the demand for loans being greater in the second half of the year. Overall, loan and deposit growth closely mirror each other, each growing by a rate of 10.6 percent during the 24 months (eight quarters) reviewed.

Based on the Division's CRA small institution's performance standards, the evaluation of this criterion includes, "as appropriate, other lending related activities, such as loan originations for sale to the secondary market." The Credit Union's secondary market loan sales enhance the institution's ability to fund future loan requests. The Credit Union began selling mortgage loans directly to FNMA (Fannie Mae) in October 2001. The institution sold 174 mortgage loans (totaling \$19.0 million) in 2002 and 423 loans (totaling \$45.4 million) in 2003.

LOAN TO DEPOSIT ANALYSIS (continued)

Lastly, the following table compares the Credit Union's net loan-to-deposit ratio to the NLTD ratio of four other community credit unions situated within the assessment area.

Institution	Net Loans to Deposits (%)	Total Assets \$'s (Millions)
Luso Federal Credit Union	53.5	\$100.3
Aldenville Credit Union	89.5	\$80.3
First Pioneer Credit Union	38.9	\$79.3
Springfield Mass Municipal Employees Credit Union	49.7	\$69.7
Holyoke Credit Union	81.1	\$63.4

Source: NCUA Call Reports for December 31, 2003.

Although second smallest in asset size, the Credit Union maintained a good level of net loans to deposits, as shown in the above comparison. Among the comparable credit unions, Aldenville Credit Union is the most "similarly situated institution" to the Credit Union. First Pioneer Credit Union (F.K.A. Monsanto Employees Credit Union) and Springfield Mass Municipal Employees Credit Union, which have converted recently to community credit union charter, have the lowest level of net loans to deposits.

In conclusion, the institution's average NLTD ratio of 78.6 percent is reasonable, given the Credit Union's capacity to lend and the credit needs of the assessment area. Overall, the Credit Union's performance (for this criterion) is considered to meet the standards for a satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

The second performance criterion is based on the institution's record of lending within its assessment area. The Credit Union's lending activity within the assessment area represents a substantial majority (of its total loan activity) and consequently, exceeds the standards for a satisfactory performance. Both mortgage and consumer loan activity were analyzed to determine the Credit Union's performance for this and the two subsequent lending criteria. The review period includes the calendar years 2002 and 2003.

Based on HMDA reported data, the Credit Union granted 686 mortgage loans totaling \$68.5 million, during the years 2002 and 2003. Lending activity inside the assessment area represented 97.2 percent (by number) and 96.0 percent (by dollar volume) of the total mortgage loans granted.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

The following table details the Credit Union's lending inside and outside its assessment area:

Mortgage Loan Originations Inside and Outside the Assessment Area								
	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2002	240	95.6	22,533	93.3	11	4.4	1,624	6.7
2003	427	98.2	43,280	97.5	8	1.8	1,123	2.5
Total	667	97.2	65,813	96.0	19	2.8	2,747	4.0

Source: HMDA LAR, CRA Wiz

The largest residential lending concentrations inside the assessment area were: Holyoke (302 loans for \$27.6 million), South Hadley (64 loans totaling \$7.1 million) and Chicopee (55 loans for \$4.8 million). The loans originated within the City of Holyoke represented 45.3 percent (by number) and 41.9 percent (by dollars) of all loans granted within the assessment area. Overall, the Credit Union granted a substantial majority of its mortgage loans inside its assessment area.

Additionally, used auto loans were analyzed. The Credit Union granted 601 used auto loans totaling \$6.9 million in 2002 and 695 of these loans totaling \$8.9 million in 2003. Used auto loans include both direct and indirect (dealer) loans. A sample group was randomly selected, based on the number of loans granted in each year, to determine a statistically accurate sample group.

The table below details the institution's used auto loan originations, both inside and outside the assessment.

Used Auto Loan Originations Inside and Outside the Assessment Area								
	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2002	46	92.0	553	91.0	4	8.0	55	9.0
2003	41	91.1	503	92.5	4	8.9	41	7.5
Total	87	91.6	1,056	91.7	8	8.4	96	8.3

Source: HMDA LAR, CRA Wiz

Of the total 95 loans for \$1.2 million sampled, there were 87 loans (91.6 % by number) for \$1.1 million (91.7% by dollars) granted inside the assessment, representing a substantial majority of the total loan activity analyzed

In summary, given the levels of residential and consumer lending inside its assessment area, the Credit Union exceeds the standard for a satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The third criterion evaluates the extent to which the institution lends to borrowers of different income levels within its assessment area. The Credit Union's performance for this criterion was found to be more than reasonable and to exceed the standards for a satisfactory performance. Both HMDA-reported mortgage loans and used auto loans were evaluated to determine the institution's performance. The Credit Union's mortgage lending is given the greater weight due to the greater volume of these loans granted.

Borrower income levels are compared to the area median/median family income (MFI) for the MSA to determine the borrowers income levels. By definition, borrowers qualify as low income (below 50% of MSA area median/MFI), moderate-income (between 50% and 79% of MSA median income), middle-income (between 80 and 119% of MSA MFI) and upper-income (120% or more of MSA area median/MFI).

The Springfield, MA MSA's median family income (MFI) was \$50,700 in 2002, and \$56,800 in 2003. It is notable that area median income (in 2003) grew by \$6,100 or 12.0 percent. In 2003, a low-income family earned \$28,400 or less, while a moderate-income family (household) earned from \$28,400 to (no more than) \$44,900, annually. Middle income families had incomes ranging from \$45,000 to \$68,000, while upper income family households earned \$68,000 or more, annually.

The table below details the institution's 2002 mortgage lending activity by the borrowers' income levels and compares it to the HMDA aggregate data and to the distribution of family households within the assessment area, based on 1990 Census data.

HMDA Mortgage Loan Distribution by Borrower Income Levels							
Income Level	*Family Households	**2002 Aggregate Data		2002			
		% of #	% of \$	#	%	\$(000)	%
Low	20.8	3.1	1.1	9	3.8	371	1.6
Moderate	16.5	12.8	8.5	33	13.8	2,291	10.2
Middle	24.4	26.4	23.1	57	23.7	5,339	23.7
Upper	38.3	57.7	67.3	141	58.7	14,532	64.5
NA	0.0	0.0	0.0	0	0.0	0	0.0
Total	100.0	100.0	100.0	240	100.0	22,533	100.0

1990 U.S. Census, ** HMDA Aggregate Data, CRA WIZ.

Comparison with the 2002 aggregate data indicates the level of lending opportunities, which exists among borrowers of different income categories. (Additionally, comparison to the distribution of family households within the assessment area provides a measure of the reasonableness of the aggregate and the individual institution's lending distribution.) In 2002, the Credit Union's distribution of loans to low-income borrowers (3.8% by number and 1.6% by dollars of loans granted) was somewhat above the aggregate distribution (3.1% by number and 1.1% by dollar volume) to these borrowers. Notably, the Credit Union's distribution to moderate-income borrowers (13.8% by number and 10.2% by dollars) was above the collective lenders' (12.8% by number and 8.5% by dollars) performance.

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (continued)

Based on the dollar volume, the Credit Union's lending to middle income borrowers (23.7%) exceeded the aggregate (23.1%) performance. Lastly, Holyoke Credit Union's lending to upper income borrowers (58.7% and 64.5% by number and dollar, respectively) generally mirrored the aggregate 57.7% and 67.3% by number and dollars) performance.

Furthermore, the table below compares the Credit Union's 2003 mortgage lending activity to the family household demographic data based on the 2000 Census.

HMDA Mortgage Loan Distribution by Census Tract Category					
Income Level	Family Households Per 2000 Census	2003*			
		#	%	\$	%
Low	21.7	18	4.2	1,366	3.2
Moderate	17.0	82	19.2	7,261	16.8
Middle	21.8	147	34.5	14,033	32.4
Upper	39.5	179	41.9	20,539	47.4
Not Available	0.0	1	0.2	81	0.2
Total	100.0	427	100.0	43,280	100.0

Source: 2000 U.S. Census, HMDA LAR,

The above comparison demonstrates that the Credit Union's level of lending more than reasonably reflects the assessment area's family households, excepting the low-income family households. However (in 2003), the Credit Union's level of lending to low-income borrowers (4.2% and 3.2% by number and dollars, respectively) improved over the prior year's lending level (3.8% by number and 1.6% by dollars of loans granted). Importantly in 2003, the lending distribution to moderate-income borrowers (19.2% by number, 16.8% by dollars) exceeded the level of moderate-income family households (17.0 % of all family households) within the assessment area. In addition, the institution's lending to middle income borrowers (34.5% by number and 32.4% by dollars of loans granted) also increased; and compares favorably to the level of middle income families (21.8% of all family households) within the assessment area.

In summary, the Credit Union's mortgage lending to low- and moderate-income borrowers remained above the aggregate performance, indicating a level of lending above market parity. Additionally, the institution's lending in 2003 to moderate and middle income borrowers exceeded the level of these households within the assessment area, indicating a more than reasonable lending distribution to these income groups. Consequently, the Credit Union's residential lending for this criterion exceeds the standards for a satisfactory rating.

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (continued)

The Credit Union's used auto lending was found to demonstrate a good distribution of loans among all borrower income levels, particularly low and moderate-income borrowers. The table below details the borrowers' income distribution for the loans sampled, both number and dollar amount of loans are included:

Used Auto Loan Originations by Borrower Income Levels												
Income Levels	2002				2003				Totals			
	#	%	\$(000)	%	#	%	\$(000)	%	#	%	\$	%
Low	12	26.1	119	21.6	13	31.7	135	26.9	25	28.7	254	24.1
Moderate	12	26.1	122	22.0	14	34.1	200	39.8	26	29.9	322	30.5
Middle	20	43.5	284	51.4	12	29.3	145	28.7	32	36.8	429	40.6
Upper	2	4.3	28	5.0	2	4.9	23	4.6	4	4.6	51	4.8
Totals	46	100	553	100	41	100	503	100	87	100	1,056	100

Based on the two year total, the above loan distribution demonstrates that low- and moderate-income borrowers combined received 58.6 percent (by number) and 54.6 percent (by dollar) of the loans granted. In addition, middle-income borrowers received 36.8 percent (by number) and 40.6 percent (by dollars) of all the loans sampled. Upper-income borrowers received the smallest portion (4.6% by number and 4.8% by dollar volume) of loans granted.

Since the above analysis uses the Median Family Income (MFI) and consumer loans are granted largely to individuals, the results may be somewhat skewed. Nonetheless, the distribution indicates that used auto loans serve the credit needs of all income categories of borrower, but especially those of low- and moderate-income.

In conclusion, the Credit Union's performance is considered to exceed standards for a satisfactory rating for this criterion. The institution's loan distribution among borrowers of different income levels is considered to be more than reasonable for both mortgage and consumer loans, especially given the consistent level of loans granted to low-income and moderate income borrowers.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The fourth performance criterion evaluates the institution's record of addressing the credit needs of the assessment area based on the geographic distribution of loans. The Credit Union's performance for this criterion is considered to be more than reasonable and to exceed the standards for a satisfactory performance. The same comparative income levels that applied to borrowers' incomes also categorize the (median) income levels of census tracts.

GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

The following table compares the Credit Union's distribution of mortgage loans, among the census tracts, which comprised the assessment area, to that of the HMDA Aggregate distribution. Furthermore, the table also compares these presentations to the distribution of owner occupied dwellings, based on 1990 Census tract composition.

HMDA Loan Distribution by Census Tract Category							
Tract Income Level	*Owner Occupied Housing Units (%)	**2002 Aggregate Data		2002			
		% of #	% of \$	#	%	\$(000)	%
Low	1.6	0.2	0.1	1	0.4	60	0.3
Moderate	6.2	3.1	1.8	7	2.9	597	2.6
Middle	66.1	63.3	57.0	145	60.5	12,132	53.9
Upper	26.1	33.4	41.1	85	35.4	9,586	42.5
NA	0.0	0.0	0.0	2	0.8	158	0.7
Total	100.0	100.0	100.0	240	100.0	22,533	100.0

1990 U.S. Census, ** HMDA Aggregate Data, CRA WIZ.

The aggregate geographic lending pattern generally reflects the distribution of owner occupied dwellings among the income levels of census tracts. However, the comparison of the aggregate performance to the distribution of owner occupied dwellings demonstrates a somewhat weaker lending presence within the low- and moderate-income tracts. Aggregate lending within the middle-income geographies was strong, yet somewhat below the proportion of owner-occupied units situated within these tracts. In contrast, the aggregate lending distribution within the upper-income tracts exceeds the distribution on housing units situated in these geographies.

In comparison, the Credit Union's geographic loan distribution generally reflects the aggregate performance with some exceptions. The Credit Union's level of lending within the low-income tracts (0.4% by numbers and 0.3% by dollars) is slightly above the aggregate level (0.2% and 0.1% by number and dollar of loans, respectively). Based on the number of loans granted within the moderate-income tracts, the Credit Union's distribution (2.9% by number) was slightly below the aggregate performance (3.1% by number). However, based on dollars granted, the Credit Union's distribution (2.6% by dollar) exceeded the aggregate lending level (1.8% by dollars granted). Conversely, the Credit Union's loan distribution within the middle-income geographies (60.5% by number and 53.9% by dollars) was slightly below the aggregate lending (63.3% by number and 57.0% by dollars) within the middle-income tracts. Lastly, the Credit Union's lending distribution within the upper-income geographies (35.4% and 42.5% by number/dollar) exceeded the aggregate distribution within these geographies (33.4% and 41.1% by number/dollars of loans). Taken as a whole, the Credit Union 2002 geographic loan distribution is reasonable given the assessment area's housing distribution and the aggregate geographic lending data.

GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

The following table compares the Credit Union's 2003 geographic lending distribution to distribution of owner occupied dwelling units, based on the 2000 U.S. Census data.

HMDA Loan Distribution by Census Tract Category					
Tract Income Level	Owner- Occupied Housing Units Per 2000 Census Data	2003*			
		#	%	\$	%
Low	2.7	5	1.2	508	1.2
Moderate	11.4	71	16.6	5,842	13.5
Middle	53.0	233	54.6	22,804	52.7
Upper	32.9	118	27.6	14,126	32.6
Total	100.0	427	100.0	43,280	100.0

Source: 2000 U.S. Census, HMDA LAR,

As the table demonstrates, the redistribution of census tracts in the 2000 Census significantly influenced the distribution of housing units within the assessment area. (In the 2000 Census, low-income and moderate-income tracts increased by 4 and 6 tracts, respectively. Middle income geographies declined by 12 tracts and upper income tracts increased by 9 tracts.)

The Credit Union's geographic loan distribution improved in the year 2003, reflecting, in part, the redistribution of census tracts and housing units within the assessment area. Most importantly, the Credit Union's loan distribution within the moderate-income geographies increased significantly and exceeded the distribution of owner-occupied housing units within these tracts. In addition, the loan distribution within the middle-income geographies declined and more closely mirrored the housing distribution within these tracts. Likewise, the Credit Union's lending distribution within the upper-income tracts declined and more closely paralleled the proportion of housing units within these geographies. Lastly, the institution's loan distribution within the low-income tracts increased, yet remained below the level of owner-occupied housing units situated there. In concluding, the 2003 geographic loan distribution demonstrated a strong presence within the moderate-income tracts, a balanced distribution within middle- and upper-income geographies and an improved loan distribution within the low-income tracts.

Overall, the Credit Union's mortgage lending consistently demonstrated a good loan distribution within the moderate-income tracts, a reasonable pattern of lending within the middle and upper income geographies and most importantly, an improved lending distribution within the low-income tracts. Consequently, the institution's mortgage lending is considered to exceed the standards for this criterion.

GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

The used auto loan sample was also analyzed, based on the geographic location of borrowers. The Credit Union's consumer loan distribution is reasonable, given that the majority of loans were granted to borrowers residing within the middle income tracts. The table below details the distribution of the loans sampled.

Used Auto Loan Originations by Census Tract Income Levels												
Income Levels	2002*				2003*				Totals			
	#	%	\$(000)	%	#	%	\$(000)	%	#	%	\$	%
Low	0	0.0	0	0.0	1	2.4	11	2.2	1	1.1	11	1.0
Moderate	0	0.0	0	0.0	9	21.9	111	22.1	9	10.3	111	10.5
Middle	32	69.5	368	66.5	20	48.9	272	54.1	52	59.8	640	60.7
Upper	13	28.3	173	31.3	11	26.8	109	21.6	24	27.6	282	26.7
N/A	1	2.2	12	2.2	0	0.0	0		1	1.2	12	1.1
Totals	46	100	553	100	41	100	503	100	87	100	1,056	100

*Note: for 2002, one loan's census tract number was not known.

In 2002, the substantial majority (69.5% by number, 66.5% by dollar) of loans were situated within the middle-income geographies, while the remainder (28.3 by number, 31.3% by dollars) were situated within upper-income tracts. In comparison, the Credit Union's 2003 consumer loan distribution is more evenly distributed among the census tracts. This improved distribution reflects, in part, the redistribution of census tracts and households comprising the assessment area. Based on the 2000 Census, 48.3 percent of all households now reside within the middle-income geographies; 8.2 percent and 11.0 percent respectively, reside within the low- and moderate-income tracts. Finally, 25.4 percent of households are located within the upper-income geographies.

In 2003, consumer loans granted in the middle- and upper-income tracts correspond well to the distribution of households within these geographies. Furthermore, the loans granted within the moderate-income tracts (21.9% by number, 22.1% by dollar) exceeded the distribution of households (11.0 percent of all households) residing within these tracts. Lastly, used car loans granted within low-income tracts (2.4% and 2.2%, by number and dollar) fell below the distribution of households (8.2% of all households) in these geographies.

For the two years reviewed, the above consumer loan distribution is reasonable given the solid lending within the middle-income tracts and an improved lending within the moderate-income geographies. As mentioned previously, the institution's mortgage lending is given the greater weight, due to the greater volume of these loans granted.

In conclusion, the 2002 mortgage loan distribution demonstrated levels somewhat above the aggregate within the low- and moderate-income tracts. In 2003, lending within the low- and moderate-income tracts was noticeably improved; loans extended within the moderate-income tracts exceeded the level of owner occupied units within these geographies. The consumer lending is considered to meet standards for a satisfactory performance, based on a reasonable distribution of loans within the middle and moderate-income geographies. Based on these lending patterns, the Credit Union's performance for this criterion is considered to exceed the standards for a satisfactory performance.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

The Credit Union received no CRA related complaints in the period under review. The Credit Union has satisfactory record of implementing fair lending policies and practices. The following discussion of the fair lending review is based on Regulatory Bulletin 2-3-101 guidelines.

The Credit Union employs a total of 24 individuals, 21 full-time and 3 part-time. Among the staff members, there are 4 individuals who are members of a minority group. There are nine bilingual employees; second languages spoken include: Spanish (4), French (4 employees) and German (1). Additionally, there is one employee trained in sign language.

During the period reviewed, staff members took Internet-based courses related to fair lending topics. These course topics included: fair credit reporting, consumer credit lending practices, credit reports, scoring and debt counseling and management. The Credit Union's mortgage officers attended seminars covering changes in the Home Mortgage Disclosure Act and Real Estate Settlement Procedures Act (RESPA). These officers also took web based underwriting and credit product education offered by FNMA (FannieMae).

The Credit Union, as an approved FNMA lender and servicer, is able to offer a greater range of mortgage loan programs and to utilize greater flexibility in the underwriting and processing of mortgage loan applications. The Credit Union's mortgage products include fixed- and adjustable-rate (1 year, 5/1 year and 7/1 year) mortgages with maximum term of 30 years and maximum loan to value (LTV) of 95%.

The Credit Union recently began offering FNMA's "My Community Mortgage" programs with 97% and 100% LTV. Overall, these products (and their underwriting guidelines) are designed to provide much greater flexibility and to assist low and moderate income borrowers to become homeowners. However, if the home being purchased is within a "FannieNeighbors" area, there are no borrower income limits. These areas are designated by HUD (Housing and Urban Development) as underserved, low- and moderate-income or minority census tracts, and central cities. The cities of Holyoke and Springfield (in their entirety) are designated as FannieNeighbors areas. Currently, the Credit Union has an agreement with FNMA to originate and service up to \$3.0 million in "My Community Mortgage" loans.

The Credit Union offers a fixed rate, fixed term equity loan product with a 15-year maximum term. In addition, the institution offers a variable rate equity line product that provides the option of a fixed interest rate for up to 3 years. Consumer loan products include new and used car loans, VISA credit cards, personal loans, and boat/recreational vehicle loans. As mentioned previously, the Credit Union is a participant in the Credit Union Direct Lending (CUDL) program, which allows members to apply for a loan directly with a participating auto dealer when purchasing a new or used automobile. CUDL utilizes the Fair Isaac's credit scoring model in the evaluating of credit risk and consequently, in determining the interest rate to be charged.

The Credit Union's fair lending policy states that only the senior mortgage officer and the president of the Credit Union have the authority to deny a mortgage loan application. In the majority of denied mortgage applications, the senior lending officer initials the denial notice as means of documenting her concurrence with the denial decision. Informally, when a given application may be turned down, a second mortgage officer is consulted and the application is reviewed in an attempt to see if the loan can be granted.

REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES (continued)

In 2002, the Credit Union presented three homebuyer (one evening) seminars, at which the Credit Union's mortgage lenders, a real estate agent, a closing attorney, and a home inspector served as presenters. In addition, the Credit Union sponsored two first homebuyer training series, presented by the Hampden Hampshire Housing Partnership (HAP, Inc.), the non-profit regional housing authority. These training series, certified by MassHousing, provide a transferable "First Time Homebuyer's Certificate" to all participants, who successfully complete the training. These workshop series were held in the October 2003 and April 2004.

In May 2004 (during the examination), the Credit Union hosted two (Saturday morning) homebuyer workshops presented by Springfield Neighborhood Housing Services, and also participated in a Homebuyers Fair held at Holiday Inn Conference Center in Holyoke.

MINORITY APPLICATION FLOW

The Credit Union received a total of 67 residential loan applications from minority applicants for the two years reviewed, representing 8.6 percent of all applications received from within the assessment area. The Credit Union's 2002 and 2003 level of minority applicants was 8.8 and 8.5 percent respectively, while the 2002 aggregate level of minority applicants was 4.3 percent. Overall, the Credit Union's received a level of minority applicants well above the aggregate performance. (See the table below for further details.)

Mortgage Applicants by Race/Ethnicity								
RACE	AGGREGATE DATA 2002		Credit Union 2002		Credit Union 2003		Credit Union Totals	
	#	%	#	%	#	%	#	%
Native American	3	0.3	0	0.0	0	0.0	0	0.0
Asian	5	0.4	1	0.4	1	0.2	2	0.3
Black	24	2.0	7	2.6	11	2.2	18	2.3
Hispanic	18	1.5	14	5.1	31	6.1	45	5.8
Other	1	0.1	2	0.7	0	0.0	2	0.3
Total Minority	51	4.3	24	8.8	43	8.5	67	8.6
White	1,062	89.5	250	91.2	461	91.3	711	91.3
NA	73	6.2	0	0.0	1	0.2	1	0.1
Total	1,186	100.0	274	100.0	505	100.0	779	100.0

Source: HMDA-LAR, CRA Wiz.

The institution's minority application flow is also compared to the assessment area racial composition. In the 2000 Census, the assessment area's total population increased slightly by 0.8 percent, while the total minority population increased by 42.8 percent. The largest population growth occurred within the Asian and Hispanic communities, which grew by 39.9 and 55.0 percent, respectively. As of the 2000 U.S. Census, the assessment area population was 600,969 residents of which 132,302 individuals or 22.1 percent were members of a racial (or ethnic) minority. The assessment area's minority population is comprised as follows; Native American (0.2%), Asian (1.9%), Black (6.1%), Hispanic (12.4%) and Other (1.5%).

MINORITY APPLICATION FLOW (continued)

An institution's ability to attract minority applicants may be influenced by a number of factors including product offerings, competition and customer base and marketing presence within the minority neighborhoods or communities. Overall, the Credit Union's ability to attract minority applicant is considered to be good.

Conclusion/Fair Lending

The Credit Union's record of implementing and developing fair lending policies and practices is rated "satisfactory." This rating is based on regular training programs for all staff, credit products designed to meet the assessment area credit needs, regular efforts to market the institution's credit services to all segments of the assessment area, and efforts to review all denied mortgage loan applications to ensure fairness in the underwriting and loan application process.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

HOLYOKE CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **April 12, 2004** has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.